



# ECONOMIC INDICATORS

## CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: March 21, 2014

### IN THIS ISSUE.....

- Norfolk's unemployment rate (not seasonally adjusted) was 6.8 percent in January, which was below last year's rate by 1.2 percentage point (January 2013) but was above last month's rate by 0.5 percentage point (December 2013). (See page 1)
- Virginia's nonfarm employment (not seasonally adjusted) rose year-over-year in January by 0.31 percent (11,300 jobs) to 3,711,400 jobs from 3,700,100 jobs last year (January 2013). The Virginia Employment Commission reported that statewide employment is still below its pre-recession peak. (See page 2)
- Hampton Roads nonfarm employment (not seasonally adjusted) fell year-over-year in January by 0.30 percent (2,200 jobs) to 735,800 from 738,000 last year. (See page 2)
- In January, the average sales price of homes sold in Hampton Roads rose 3.1 percent, to \$221,906 from \$215,158. (See page 3)
- In Norfolk, the average sales price of homes sold in January fell 11.2 percent, from \$185,236 to \$164,572. Both the average sales price of existing and new homes sold declined. (See page 3)
- In January, the number of housing units permitted in Norfolk totaled nine units, which was 14 units below the 23 units permitted in January 2013. The decrease was mainly from housing units permitted in single-family structures. (See page 4)
- Through January, Norfolk sales taxes were up 2.2 percent (or \$367,000). However, adjusting for the correction of an overpayment to Norfolk last year by the Virginia Department of Taxation, sales taxes were down 2.2 percent. (See page 5)
- Real GDP rose at an annual rate of 2.4 percent (second estimate) in the fourth quarter of 2013, after rising at a 4.1 percent rate in the third quarter. For all of 2013, real GDP grew 1.9 percent (second estimate). In comparison, real GDP grew 2.8 percent in 2012. (See page 6)

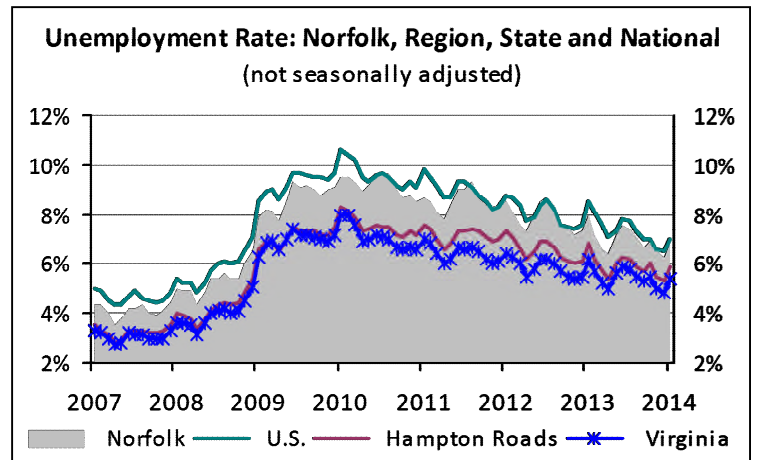
### Residential Employment

#### Hampton Roads and State Unemployment Rate (not seasonally adjusted)

	January 2014*	December 2013	January 2013	10-Year Average
<b>Norfolk</b>	<b>6.8%</b>	<b>6.3%</b>	<b>8.0%</b>	<b>6.4%</b>
Chesapeake	5.1%	4.8%	6.0%	4.8%
Hampton	6.8%	6.3%	7.9%	5.9%
Newport News	6.9%	6.0%	7.7%	5.7%
Portsmouth	7.6%	6.6%	7.9%	6.5%
Suffolk	5.8%	5.3%	6.6%	5.3%
Virginia Beach	5.1%	4.7%	5.8%	4.4%
Hampton Roads	5.9%	5.3%	6.8%	5.1%
Virginia	5.4%	4.8%	6.2%	4.8%

The Virginia Employment Commission (VEC) reported that Norfolk's unemployment rate (not seasonally adjusted) was 6.8 percent in January, which was below last year's rate by 1.2 percentage point (January 2013) but was above last month's rate by 0.5 percentage point (December 2013). The state and region's unemployment rate followed the same trend. The VEC indicated that the increase in the rate from last month is "usual for this time of year" and is "due to cutbacks in the retail and leisure and hospitality sectors after the holidays and winter break closings."

The unemployment rate fell from last year, as the number of unemployed residents fell by 1,264 (15.1 percent), while the Norfolk labor force and number of employed residents grew by 57 (0.1 percent) and 1,321 (1.4 percent), respectively. Norfolk's unemployment rate continued to be below the national rate (not seasonally adjusted).

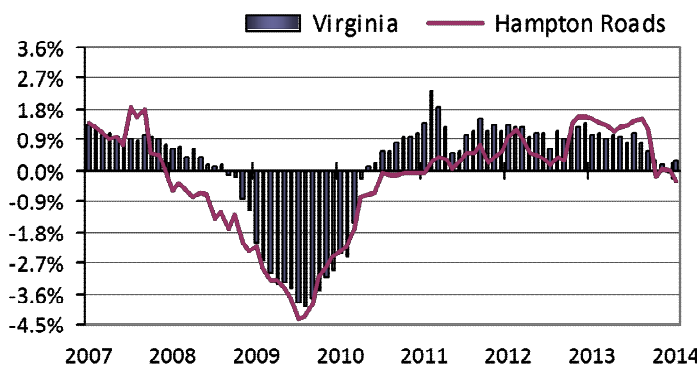


The *City of Norfolk Economic Indicators* is available online at:  
<http://www.norfolk.gov/index.aspx?NID=437>

Source: Virginia Employment Commission and U.S. Bureau of Labor Statistics. \* Preliminary, subject to revision.

## State and Regional Job Growth

**State and Regional Monthly Job Growth**  
(percentage growth over previous year)



Statewide nonfarm employment (not seasonally adjusted) rose year-over-year in January by 0.31 percent (11,300 jobs) to 3,711,400 jobs from 3,700,100 jobs last year (January 2013). In contrast, nonfarm employment (not seasonally adjusted) in Hampton Roads fell year-over-year in January by 0.30 percent (2,200 jobs) to 735,800 from 738,000 last year. The regional job losses were largely in the Federal government, professional and business services, construction, and financial activities.

Moreover, with the annual benchmark revision, jobs in the region actually fell year-over-year in October 2013 by 1,200 jobs, instead of the initially reported growth of 11,400 jobs (not seasonally adjusted). The revision indicated the region lost jobs in construction, manufacturing and financial activities, rather than gaining jobs as first reported. Jobs statewide in December 2013 were also revised to a decline of 2,700 jobs from the initial report of a gain of 31,200 jobs (not seasonally adjusted).

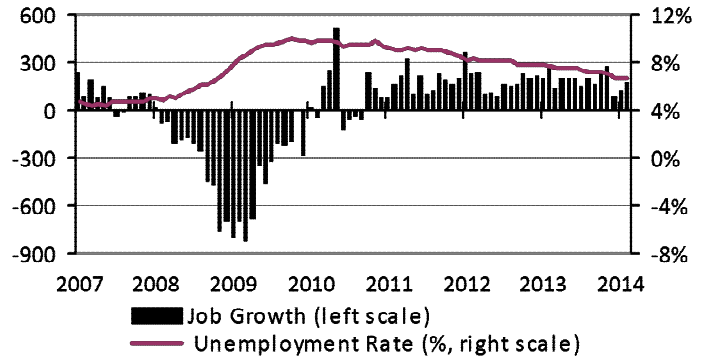
### January Job Change in Select Industries

(not seasonally adjusted<sup>1</sup>; job changes are from previous year)

	Hampton Roads <sup>2</sup>	Virginia <sup>2</sup>
Construction	-1,500	4,400
Manufacturing	-200	-1,300
Trade (Retail and Wholesale)	1,200	5,300
Transportation and Utilities	-400	900
Information	-300	100
Financial Activities	-1,300	3,900
Professional and Business Services	-2,400	-19,700
Educational and Health Services	4,200	15,700
Leisure and Hospitality	800	2,700
Government	-2,100	-3,600
<i>Federal Government</i>	-2,300	-7,200
<i>State Government</i>	0	1,900
<i>Local Government</i>	200	1,700

## National Job Growth

**National Job Growth and Unemployment**  
(job growth in thousands over previous month)



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) in February grew by 175,000 jobs, after increasing by 129,000 jobs in January, for a total of 304,000 jobs added year-to-date. Employment in February grew in all the major sectors except information and the federal government. Since February 2010, when total employment was at its lowest, the economy has added 8.04 million jobs (revised), nearly recovering the 8.7 million jobs (revised) from January 2008 to February 2010. Job gains have mainly been in the private sector, although state and local government have added 27,000 jobs and 34,000 jobs, respectively, in the past 12 months. In February, the seasonally adjusted unemployment rate rose slightly to 6.7 percent from 6.6 percent in January.

### National Job Change by Industry

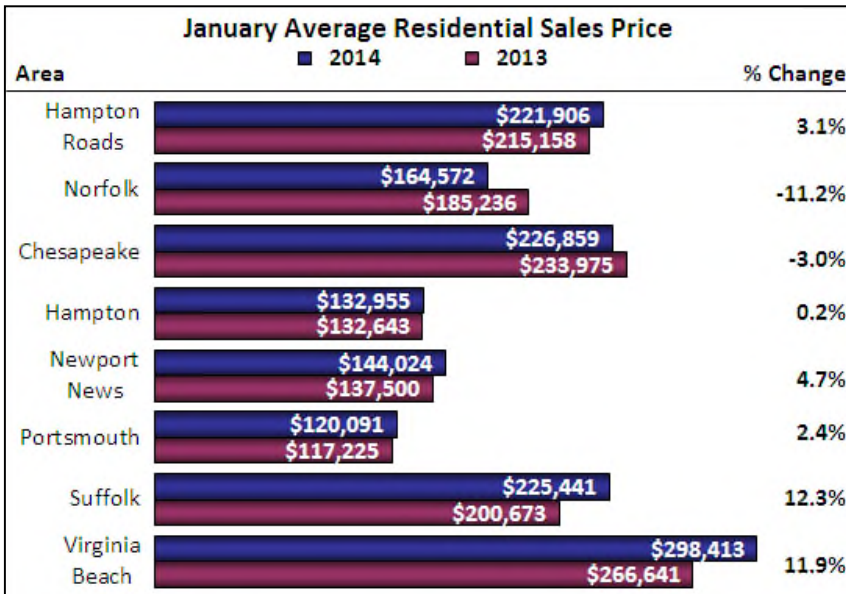
(seasonally adjusted; Jan./Feb. growth are from previous month)

	Jan. 2014 <sup>2</sup>	Feb. 2014 <sup>3</sup>	2014 YTD <sup>3</sup>
Mining & Logging	5,000	1,000	6,000
Construction	50,000	15,000	65,000
Manufacturing	6,000	6,000	12,000
Trade/Transportation/Utilities	14,000	7,000	21,000
Information	-8,000	-16,000	-24,000
Financial Activities	-2,000	9,000	7,000
Professional/Business Services	42,000	79,000	121,000
Educational/Health Services	10,000	33,000	43,000
Leisure and Hospitality	22,000	25,000	47,000
Other Services	6,000	3,000	9,000
Government	-16,000	13,000	-3,000
<i>Federal Government</i>	-13,000	-6,000	-19,000
<i>State Government</i>	1,000	11,000	12,000
<i>Local Government</i>	-4,000	8,000	4,000
<b>Total Job Growth</b>	<b>129,000</b>	<b>175,000</b>	<b>304,000</b>

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. <sup>1</sup> Data on employment in Hampton Roads by industry available on a not seasonally adjusted basis only. <sup>2</sup> Preliminary. <sup>3</sup> Revised.

## Regional Housing Market

January Home Sales	Housing Units Sold		Average Days on Market	
	2013	2014	2013	2014
Hampton Roads	1,349	1,145	97	90
Norfolk	161	147	98	72
Chesapeake	227	159	78	79
Hampton	91	78	100	121
Newport News	119	112	140	102
Portsmouth	84	61	84	74
Suffolk	86	71	85	93
Virginia Beach	367	308	86	78



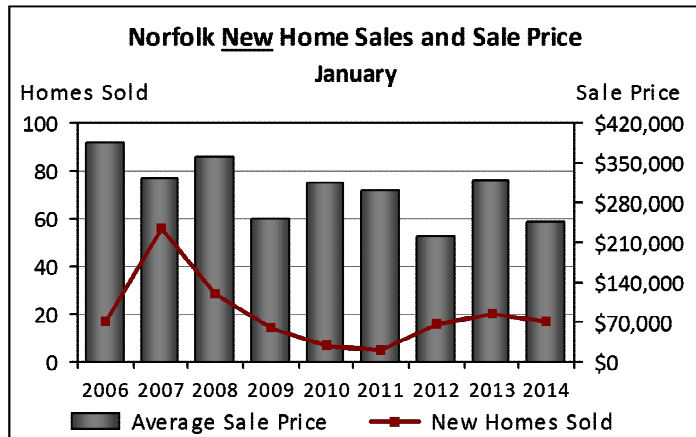
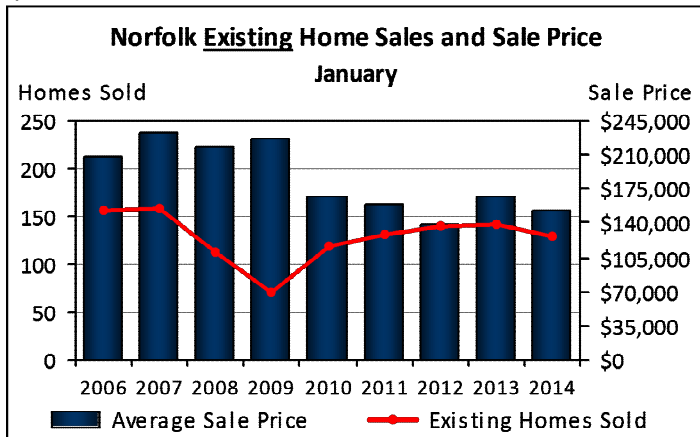
The Real Estate Information Network (REIN) reported the average sales price of homes sold in Hampton Roads in January rose 3.1 percent, to \$221,906 from \$215,158. Among the seven major cities in the region, only Norfolk and Chesapeake had a decline. However, the median sales price of homes sold in the region fell 1.6 percent and among the seven major cities, a decline in the median sales price occurred in Norfolk, Chesapeake, Suffolk and Virginia Beach.

January home sales in the region also fell 15.1 percent, with the decline occurring in all the seven major cities. However, according to REIN, Newport News and Norfolk had the lowest decline at 5.88 percent and 8.7 percent, respectively. REIN also reported that residential pending sales (homes under contract) in the region also fell 4.46 percent from last year, the first year-over-year decline in pending sales since April 2011. REIN indicated that Suffolk and Chesapeake had the largest decline in pending sales. In contrast, Portsmouth and Norfolk had an increase in pending sales of 42.19 percent and 10.47 percent, respectively. REIN noted that the two snow storms in January may have held back home sales. On a positive note, residential active listings (homes for sale) rose slightly in January by 0.52 percent. REIN also reported that distressed homes sold made up a smaller share of homes sold in the region, accounting for 29.49 percent of homes sold in January, compared to 34.88 percent in January of last year.

## Norfolk Housing Market

In January, the number of existing homes sold in Norfolk declined 7.8 percent (11 homes) from last year (January 2013). The decline occurred in both attached and detached homes. New home sales also declined by 15 percent (3 homes), mainly seen in new detached home sales. However, the time on market of existing homes sold fell sharply to 70 days in January from 100 days last year, while time on market new homes sold rose slightly to 89 days from 81 days.

The average sales price of existing homes sold also fell 7.5 percent to \$154,000 from \$166,400 last year. The biggest decline was seen in existing homes priced in the \$200,000 range. Likewise, the average sales price of new homes sold fell 22.8 percent to \$245,800 from \$318,200 last year. Similarly to existing homes sold, the biggest decline was also seen in new homes priced in the \$200,000 range. In both existing and new homes sold, the decline in the average sales price was seen in both attached and detached home sales.



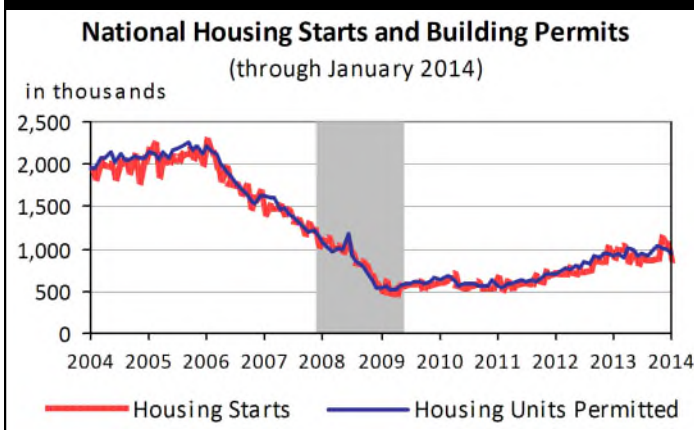
Source: Real Estate Information Network (REIN)

## National Housing Market

Existing home sales nationwide fell 5.1 percent to a seasonally adjusted annual rate (SAAR) of 4.62 million from both the previous month's (December 2013) revised rate and previous year's rate of 4.87 million. The National Association of Realtors (NAR) indicated this was the lowest rate since July 2012 and the unusual weather affected housing activity. NAR also indicated "tight credit, limited inventory, higher prices and higher mortgage interest rates...will hinder home sales activity until the positive factors of job growth and new supply from higher housing starts begin to make an impact."

In contrast, new home sales in January stood at 468,000 (SAAR), which was above last month's rate by 9.6 percent and last year's rate by 2.2 percent. New home sales have risen year-over-year in every month since October 2011. The average sales prices of existing and new homes sold also continued to rise in January by 8.8 and 5.2 percent from last year to \$237,500 and \$322,800, respectively.

## National New Residential Construction



The Census Bureau reported privately-owned housing units authorized by building permits in January fell 5.4 percent to a seasonally adjusted annual rate (SAAR) of 937,000 (SAAR) from the revised rate of 991,000 in December. Compared to last year (January 2013), housing units permitted rose 2.4 percent and has been rising year-over-year since May 2011.

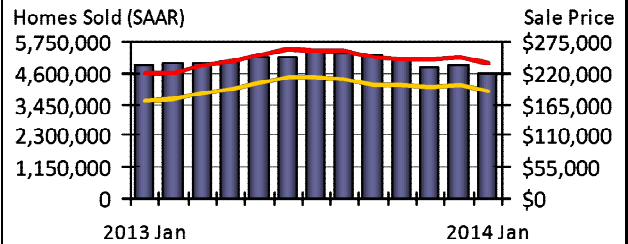
Privately-owned housing starts fell 16 percent to 880,000 (SAAR) in January from the revised rate of 1,048,000 in December. The decline was due to housing units started in both single- and multi-family structures. From last year, housing starts fell 2.0 percent from the January 2013 rate of 898,000, mainly due to single-family housing starts. This was the first year-over-year decline of housing starts since August 2011.

The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building. A house is "completed" when all finished flooring has been installed or at the time of occupancy.

Source: National Association of Realtors (NAR), U.S. Census Bureau, and City of Norfolk Department of Development. \* "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Shaded area denotes recession.

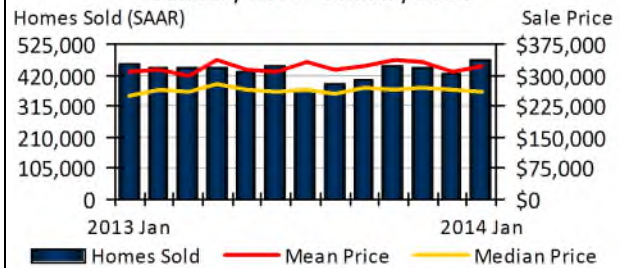
### Existing Home Sales and Sale Price

January 2013 - January 2014



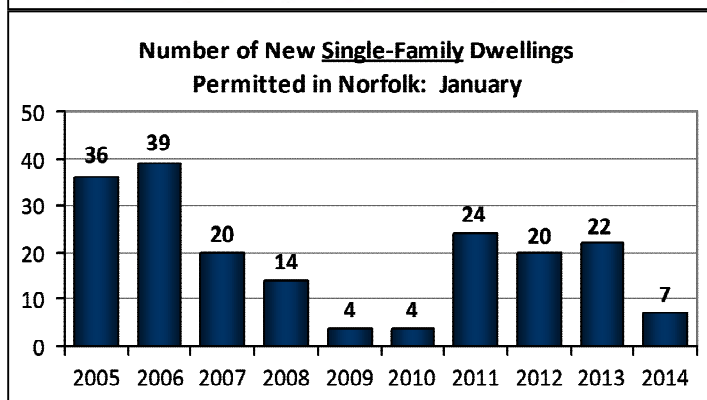
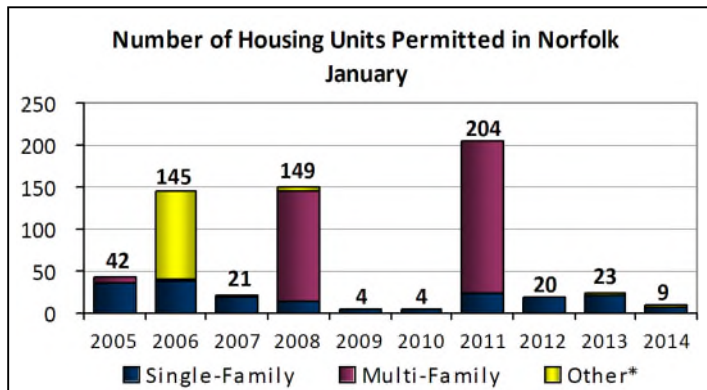
### New Home Sales and Sale Price

January 2013 - January 2014



## Norfolk Residential Building Permits

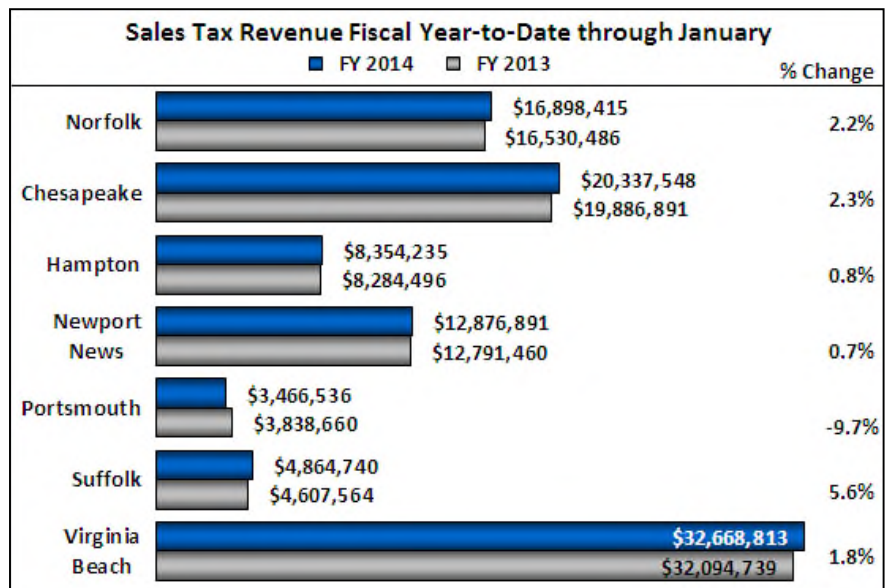
In January, the number of housing units permitted in Norfolk totaled nine units, which was 14 units (61 percent) below the 23 units permitted in January 2013. The decrease was mainly from housing units permitted in single-family structures. January is not usually a significant month for building activity due to the weather. During certain years, however, the large variance in housing units permitted were driven by multi-family projects such as, Meadowood Apartments (2011), SouthWind Apartments (2008) and Harbor Heights (2006).



## Norfolk and Regional Sales Tax

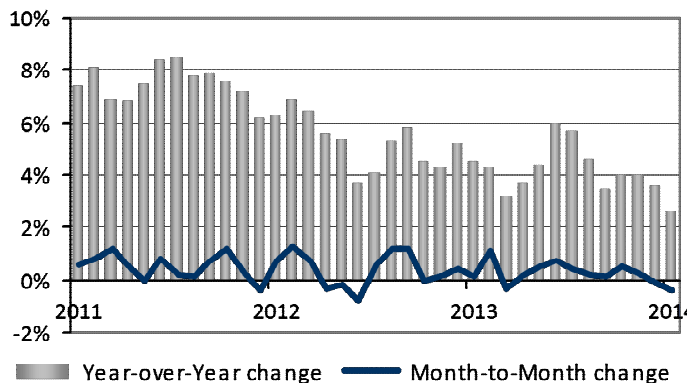
The Virginia Department of Taxation (TAX) reported Norfolk sales tax collections in January totaled about \$2.1 million, which was 4.5 percent (about \$98,100) below last year. A decline in sales tax collections for the month of January alone also occurred in Chesapeake (0.6 percent), Hampton (4.5 percent), and Newport News (1.3 percent).

Fiscal year-to-date through January, Norfolk sales taxes rose 2.2 percent (about \$367,900). However, adjusting for the correction of an overpayment to Norfolk last year by TAX, sales taxes were down 2.2 percent. Sales tax collections through January also rose in Chesapeake, Hampton, Newport News, Suffolk and Virginia Beach, ranging from 0.8 percent (Hampton) to 5.6 percent (Suffolk). Portsmouth's decline of 9.7 percent year-to-date was largely due to sales tax collections during the November period.



## National Retail and Food Service Sales

**Percent Change in National Retail and Food Service Sales**  
(seasonally adjusted but not adjusted for price changes)



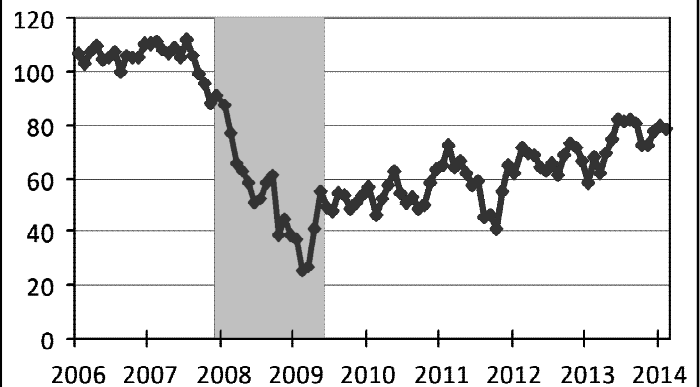
The U.S. Census Bureau reported national retail and food services sales in January fell 0.4 percent (preliminary) from the previous month (December 2013). This was the second consecutive monthly decline, since December sales were revised down to a 0.1 percent decline from the previous report of a 0.2 percent increase. Most major retail categories had a decline in sales, but the majority of the decrease was from motor vehicle and parts dealers. Only gas stations, building materials and garden equipment and supplies dealers, food and beverage stores, and electronics stores did not have a decline. Retail sales may have been affected by weather.

Compared to last year (January 2013), retail and food service sales rose 2.6 percent (preliminary). The majority of the increase were from motor vehicle and parts dealers, nonstore retailers (which includes internet and mail order sellers), food and beverage stores, restaurants and bars, and building materials and garden equipment and supplies dealers.

Source: Virginia Department of Taxation, U.S. Census Bureau, and Conference Board.

## Consumer Confidence Index

**Consumer Confidence Index**

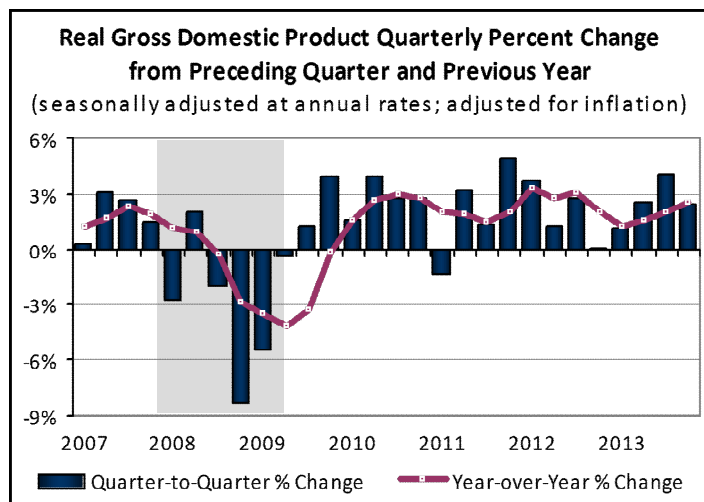


The Conference Board reported the Consumer Confidence Index declined moderately in February, falling to 78.1 from 79.4, which was mainly due to the Expectations Index. The Expectations Index, which measures consumer confidence in business, employment and family income six months from now, fell to 75.7 from 80.8. In contrast, the Present Situation Index, which measures consumer confidence in current business and employment conditions, rose for the fourth straight month to 81.7 from 77.3—its highest level since April 2008.

Lynn Franco, Director of Economic Indicators at The Conference Board indicated, "Consumer confidence declined moderately...on concern over the short-term outlook for business conditions, jobs, and earnings. While expectations have fluctuated over recent months, current conditions have continued to trend upward...This suggests that consumers believe the economy has improved, but they do not foresee it gaining considerable momentum in the months ahead."

## Real Gross Domestic Product (GDP)

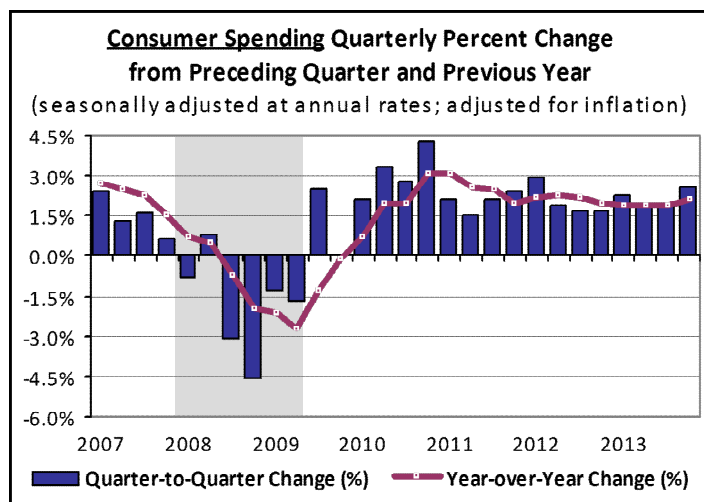
Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 2.4 percent (second estimate) in the fourth quarter of 2013, after rising at a 4.1 percent rate in the third quarter.



The slower growth in the fourth quarter reflected:

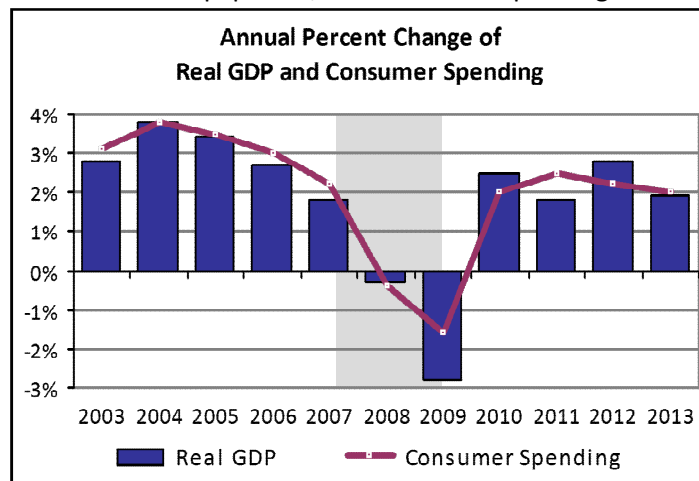
- **federal, state and local government spending and investment** combined declining by 5.6 percent, after increasing 0.4 percent in the third quarter;
- **business investment in inventory** rising by \$117.4 billion, slightly below the increase of \$115.7 billion in the third quarter;
- **investment in commercial structures** rising by only 0.2 percent, compared with a 13.4 percent growth in the third quarter; and
- **investment in housing** decreasing 8.7 percent, the first quarterly decline since the third quarter of 2010.

In contrast, the accelerated growth in consumer spending, exports, and business investment in equipment and intellectual property products contributed to real GDP growth in the fourth quarter.



Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. Shaded areas represents recession as determined by the National Bureau of Economic Research.

BEA also reported real GDP in 2013 grew 1.9 percent (second estimate), after increasing 2.8 percent in 2012. The deceleration of real GDP growth in 2013 reflected a larger decline in federal government spending and slower growth of investment in commercial structures, business investment in equipment, and consumer spending.



## Consumer Price Index

The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported the CPI for all urban consumers rose 0.1 percent in February. Among the major expenditure categories, the food index rose 0.4 percent, which according to BLS, accounted for more than half the increase in the CPI. The energy index fell 0.5 percent, mainly due to a decline in gasoline prices. The core CPI, which excludes food and energy, rose 0.1 percent, due to a rise in the price of shelter, medical care, airline fares, recreation, new vehicles, and personal care products.

From the previous year, the CPI rose 1.1 percent before seasonal adjustment. Among the major expenditure categories, the energy index fell 2.5 percent, mainly due to an 8.1 percent decline in gasoline prices. In contrast, the food index rose 1.4 percent, while the core CPI rose 1.6 percent.

